

DE 03-200

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

Delivery Service Tariff NHPUC No.3
Request for Approval of Rate Increase
and Associated Tariff Modifications

Order of Notice and
Order Suspending Tariff

O R D E R N O. 24,256

December 31, 2003

On December 29, 2003, Public Service Company of New Hampshire (PSNH) filed with the New Hampshire Public Utilities Commission (Commission) proposed revisions to its Delivery Service Tariff for the purpose of implementing an increase in delivery rates and making certain other changes. The filing was made pursuant to RSA 369-B, RSA 374-F, RSA 378:3, N.H. Code Admin. Rules Puc 1604.02 and relevant provisions of the Agreement to Settle PSNH Restructuring (Restructuring Agreement) approved by the Commission in 2000 in Docket DE 99-099.

Under the terms of the Restructuring Agreement, PSNH's Delivery Service rates were fixed through January 31, 2004 at an overall average level of 2.8 cents per kilowatt-hour. PSNH now proposes to increase delivery service rates by 10.4 percent. According to PSNH, this would result in an overall average rate increase of 2.6 percent for customers purchasing Transition Service energy from PSNH, based on rates effective before February 1, 2004. Residential rates would increase 3.2 percent

and the bill of a typical customer using 500 kilowatt-hours per month would increase from \$62.99 to \$65.02. Commercial rate increases range from 1.4 percent (for large general service Rate LG) to 6.4 percent (for outdoor lighting service Rate OL).¹

The PSNH filing does not quantify the overall effect of the Transition Service rate increase and the utility's proposed increase in delivery rates. A preliminary calculation suggests that, for a typical residential customer using 500 kilowatt-hours of energy per month, the combined increase would be approximately 9.2 percent. Further, a preliminary review of the PSNH filing suggests that PSNH is not proposing any major changes to its current rate design (i.e., its methodology for allocating its revenue requirement among different customer classes).

The Restructuring Agreement required PSNH to file proposed new Delivery Service rates no later than 33 months after May 1, 2001, the date on which PSNH was restructured and its service territory opened to retail competition among energy suppliers. The filing was required to contain supporting cost and rate information and pro forma adjustments based on the most recent four calendar quarters for which data was available. The

¹ These figures do not take into account the fact that, in Order No. 24,252 (December 19, 2003), the Commission approved a separate increase in PSNH's Transition Service rate from 4.6 cents per kilowatt-hour for residential and small commercial customers, and 4.67 cents per kilowatt-hour for large commercial and industrial customers to 5.36 cents for all customers, effective on February 1, 2004. Other charges paid by PSNH's retail customers - specifically, the Stranded Cost Recovery Charge, the System Benefits Charge and the Electricity Consumption Tax - will not change on February 1.

Restructuring Agreement further provides for investigation and hearings and stipulates that if the new Delivery Service rates are suspended by the Commission, "any final rates determined by the [Commission] will be calculated retrospectively on an aggregate basis" as of February 1, 2004, "with an appropriate refund or recoupment of costs made prospectively from the effective date of the [Commission's] order."

RSA 374-F:4, I requires the Commission to effectuate the unbundling of PSNH's rates "into at least distribution, transmission, and generation" at "the earliest practical date." The generation component of PSNH's rates is now a separate charge on customer bills (which customers may avoid by purchasing energy from other suppliers), but the distribution and transmission components remained bundled and included in the Delivery Service Charge. In Order No. 23,549, entered on rehearing of the Commission's approval of the Restructuring Agreement, the Commission determined that such unbundling must take place, at the latest, in connection with the present rate case. See *PSNH Proposed Restructuring Settlement*, 85 NH PUC 536 554-55 (2000). PSNH proposes to comply with this requirement by unbundling the distribution and transmission "segments" of its proposed new Delivery Service Charge. Further, PSNH proposes that the transmission segment of its Delivery Service Charge be fixed for only a one-year period, based on projected transmission expenses,

with a "transmission cost adjustment mechanism" (TCAM) to apply thereafter. The TCAM would be a mechanism whereby the Delivery Service Charge would be adjusted annually to reflect PSNH's obligations pursuant to transmission tariffs approved by the Federal Energy Regulatory Commission (FERC). PSNH's parent company, Northeast Utilities, is currently seeking FERC authority to implement transmission tariffs that would be subject to annual adjustments under an approved formula, in contrast to the present fixed rates.

RSA 378:6 provides that pending any investigation of a rate schedule which represents a general rate increase, the Commission may suspend the taking effect of such tariff filing for up to 12 months in order to investigate whether the proposed rates are just, reasonable and otherwise consistent with applicable law. It is the determination of the Commission that such suspension and investigation are necessary under RSA 378:6 and required by the Restructuring Agreement.

The filing raises, inter alia, issues related to: whether the proposed rates are just, reasonable and lawful as required by RSA 378:6; whether the proposed rates yield a reasonable return on the cost of PSNH's property that is prudent as well as used and useful in the public service less accumulated depreciation as required by RSA 378:27 and 28; and, the extent to which the proposed rates comport with the requirements of the

Restructuring Agreement, the Commission's previous orders with respect to the Restructuring Agreement, the legislation codified as RSA 369-B implementing certain portions of the Restructuring Agreement and the relevant provisions of the Electric Industry Restructuring Act, RSA 374-F, including those relating to the unbundling of rates.

Included with the PSNH filing was a petition for temporary rates pursuant to RSA 378:27, seeking a hearing in January, 2004 and an effective date of February 1, 2004. PSNH proposes to implement temporary Delivery Service rates on that date that are equal to the permanent rates it proposes. This requires a determination that, based on the reports filed by PSNH with the Commission, the temporary rates are consistent with the public interest as well as sufficient to yield a reasonable return on the cost of PSNH property used and useful in the public service less accrued depreciation. While it is true that the analysis of a temporary rate request need not be as exhaustive as the analysis of a permanent rate request, it is not feasible to review this particular request prior to January 31, 2004 in a way that would satisfy the notice and hearing requirements of RSA 378:27. Accordingly, we will take up the issue of scheduling such temporary rate hearing at the Prehearing Conference we are scheduling herein.

Based upon the foregoing, it is hereby

ORDERED, that the Delivery Service tariff filed by Public Service Company of New Hampshire on December 29, 2003, NHPUC No. 3, be and hereby is suspended pursuant to RSA 378:6, I(a) pending investigation and further order of the Commission; and it is

FURTHER ORDERED, that a Prehearing Conference, pursuant to N.H. Admin. Rules Puc 203.05, be held before the Commission located at 8 Old Suncook Road, Concord, New Hampshire on January 21, 2004 at 10:00 a.m., at which each party and the Commission Staff will provide a preliminary statement of its position with regard to the petition and any of the issues set forth in N.H. Admin Rule Puc 203.05(c) shall be considered; and it is

FURTHER ORDERED, that, immediately following the Prehearing Conference, PSNH, the Staff of the Commission and any Intervenors hold a Technical Session to review the petition and allow PSNH to provide any amendments or updates to its filing; and it is

FURTHER ORDERED, that pursuant to N.H. Admin. Rules Puc 203.01, PSNH shall notify all persons desiring to be heard at this hearing by publishing a copy of this Order of Notice no later than January 6, 2004, in a newspaper with statewide circulation or of general circulation in those portions of the state in which operations are conducted, publication to be

documented by affidavit filed with the Commission on or before January 21, 2004; and it is

FURTHER ORDERED, that pursuant to N.H. Admin Rules Puc 203.02, any party seeking to intervene in the proceeding shall submit to the Commission an original and eight copies of a Petition to Intervene with copies sent to PSNH and the Office of the Consumer Advocate on or before January 15, 2004, such Petition stating the facts demonstrating how its rights, duties, privileges, immunities or other substantial interest may be affected by the proceeding, as required by N.H. Admin Rule Puc 203.02 and RSA 541-A:32, I(b); and it is

FURTHER ORDERED, that any party objecting to a Petition to Intervene make said Objection on or before January 21, 2004.

By order of the Public Utilities Commission of New Hampshire this thirty-first day of December, 2003.

Thomas B. Getz
Chairman

Susan S. Geiger
Commissioner

Graham J. Morrison
Commissioner

Attested by:

Michelle A. Caraway
Assistant Executive Director

Any individuals needing assistance or auxiliary communication aids due to sensory impairment or other disability, should contact the American with Disabilities Act Coordinator, NHPUC, 8 Old Suncook Road, Concord, New Hampshire 03301-7319; 603-271-2431; TDD Access: Relay N.H. 1-800-735-2964. Preferably, notification of the need for assistance should be made one week before the scheduled event.